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**Spring Real Estate Investment Trust**  
**春泉產業信託**

*(A Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong))*

**(Stock code: 01426)**

**Managed by**

**Spring Asset Management Limited**

**ANNOUNCEMENT**

**CONTINUING CONNECTED PARTY TRANSACTION  
IN RELATION TO PROPERTY MANAGEMENT AGREEMENT**

The Board wishes to announce that RCA01 (a special purpose vehicle wholly-owned by Spring REIT and the owner of the CCP Property) and the Property Manager entered into an agreement to renew the Property Management Agreement for a further term of twenty-eight (28) months expiring on 31 December 2025 with effect from 1 September 2023.

As the Property Manager, being Beijing Hua-re Real Estate Consultancy Co., Ltd., is owned as to 40% by Mercuria Investment, which is a fellow subsidiary of the Manager, the Property Manager is an associate of the Manager and a connected person of Spring REIT pursuant to paragraph 8.1(f) of the REIT Code. Accordingly, the transactions under the renewed Property Management Agreement constitutes a continuing connected party transaction of Spring REIT under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio calculated in respect of the annual cap exceeds 0.1% but is less than 5%, such transactions are subject to the announcement, reporting and annual review requirements but are exempted from the unitholders' approval requirement under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules.

This announcement is made pursuant to paragraph 10.5A of the REIT Code.

## **A. BACKGROUND**

Reference is made to (a) the announcement of Spring Real Estate Investment Trust (“**Spring REIT**”) dated 22 December 2017 in relation to, among other things, certain continuing connected party transactions of Spring REIT that had subsisted beyond 31 December 2017; (b) the announcement of Spring REIT dated 19 July 2019 in relation to the renewal of the Property Management Agreement for a further term of two years expiring on 31 August 2021; and (c) the announcement of Spring REIT dated 26 July 2021 in relation to the renewal of the Property Management Agreement for a further term of two years expiring on 31 August 2023 (collectively, the “**Relevant CCPTs Announcements**”). Unless otherwise defined, terms used in this announcement shall have the same meanings as those defined in the Relevant CCPTs Announcements.

As disclosed in the Relevant CCPTs Announcements, RCA01 (a special purpose vehicle wholly-owned by Spring REIT and the owner of the CCP Property) and the Property Manager entered into the Property Management Agreement in relation to the provision of certain property management, lease management, asset management as well as marketing services by the Property Manager in respect of the CCP Property on 30 August 2011. The term of the Property Management Agreement was extended on 1 September 2019 for a two-year period expiring on 31 August 2021 and further extended on 1 September 2021 for a two-year period expiring on 31 August 2023. Pursuant to the terms thereof, the term of the Property Management Agreement may be further extended with each extension being for two years, unless and until a party thereto notifies the other party in writing otherwise.

### **Renewal of the Property Management Agreement**

On 25 August 2023, the parties to the Property Management Agreement entered into a supplemental agreement to renew the Property Management Agreement on substantially same terms and conditions for another twenty-eight (28) months commencing from 1 September 2023 and expiring on 31 December 2025. Instead of every two-year automatic extension of the term under the Property Management Agreement, the parties to the renewed Property Management Agreement shall negotiate and execute a renewal agreement or a supplemental agreement before the expiration of such term. Save for the foregoing, the other terms of the Property Management Agreement remain unchanged.

The key terms of the renewed Property Management Agreement are as follows:

Parties	(1) RCA01 (2) Beijing Hua-re Real Estate Consultancy Co., Ltd.
Purpose	Appointment of Beijing Hua-re Real Estate Consultancy Co., Ltd. as property manager to provide certain property management, lease management, asset management as well as marketing services in respect of the CCP Property, which is located at No. 79 and No. 81, Jianguo Road, Chaoyang District, Beijing, PRC and comprises all of the office floors of Office Tower 1 and Office Tower 2, China Central Place, Beijing, PRC and a total of approximately 600 car parking spaces located in the underground levels of the two office buildings
Term	Twenty-eight (28) months from 1 September 2023 to 31 December 2025
Fees	A monthly property management fee equivalent to 2% of the CCP Property's monthly total revenue
Renewal	If the parties intend to further extend the term of the Property Management Agreement, they shall negotiate and execute a renewal agreement or a supplemental agreement before the expiration of such term

### **Historical Amounts and Annual Cap**

The historical amounts under the Property Management Agreement in each of the years/periods commenced from 1 January 2020 and ended on 30 June 2023 are as follows:

<b>Year/Period</b>	<b>Historical amounts under the Property Management Agreement (approximate)</b>
For the year ended 31 December 2020	RMB10,800,000
For the year ended 31 December 2021	RMB10,300,000
For the year ended 31 December 2022	RMB10,800,000
For the six months ended 30 June 2023	RMB5,200,000

The property management fee under the renewed Property Management Agreement is equivalent to 2% of the total revenue of the CCP Property, being the fee payable prior to the renewal of the Property Management Agreement. It is determined by reference to the prevailing market rates for similar services provided by professional property management service providers for properties of similar size and with similar usage, on arm’s length basis and in the ordinary and usual course of business of Spring REIT, and on normal commercial terms or better that are fair and reasonable and in the interests of Spring REIT and its unitholders as a whole.

The annual cap applicable to the transactions under the renewed Property Management Agreement for each of the following years/periods is determined based on (i) the latest annual historical amounts of the total property management fees incurred by RCA01 for the year ended 31 December 2022 (i.e., RMB10,800,000); and (ii) a buffer of 15% having taken into account (a) contingencies and unforeseeable market fluctuations such as changes in operating performance of the CCP Property; and (b) the potential increase in property management fees arising from increase in rental income, and is as follows:

**Annual caps for the renewed Property Management Agreement**

<b>Year/Period</b>	
For the four months ending 31 December 2023	RMB4,140,000
For the year ending 31 December 2024	RMB12,420,000
For the year ending 31 December 2025	RMB12,420,000

**Reasons for and Benefits of Renewing the Property Management Agreement**

One of Spring REIT’s key investment objectives is to provide unitholders with stable distributions, which are mainly derived from the rental income generated by the CCP Property, the Manager believes that the renewal of the Property Management Agreement is necessary for the continuous operations of Spring REIT and the generation of recurring rental income for Spring REIT. The supportive views of the Board, the independent valuer and the Trustee are noted in section C below.

The Property Manager is appointed by RCA01 as its agent to conduct the day-to-day operation and management of the CCP Property under the Property Management Agreement. The Manager regularly monitors and reviews the performance of the Property Manager, and is satisfied that the Property Manager will continue to provide professional services in respect of the efficient and effective management of the CCP Property during the renewal term.

## **B. REGULATORY IMPLICATIONS**

As the Property Manager, being Beijing Hua-re Real Estate Consultancy Co., Ltd., is owned as to 40% by Mercuria Investment Co., Ltd. (“**Mercuria Investment**”), which is a fellow subsidiary of the Manager, the Property Manager is an associate of the Manager and a connected person of Spring REIT pursuant to paragraph 8.1(f) of the REIT Code. As such, the transaction under the renewed Property Management Agreement constitutes a continuing connected party transaction under Chapter 8 of the REIT Code and Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (modified as appropriate pursuant to paragraph 2.26 of the REIT Code) (the “**Listing Rules**”).

As the highest applicable percentage ratio calculated in respect of the annual cap exceeds 0.1% but is less than 5%, such transactions are subject to the announcement, reporting and annual review requirements but are exempted from the unitholders’ approval requirement under Chapter 8 of the REIT Code and Chapter 14A of the Listing Rules.

## **C. OPINIONS**

### **Opinion of the Board**

The Board (including the independent non-executive Directors of the Manager, but excluding the Directors who have abstained from voting on the relevant board resolution) is of the view that the renewed Property Management Agreement:

- (i) was negotiated at arm’s length and in the ordinary and usual course of business of Spring REIT;
- (ii) is consistent with the investment policy of Spring REIT;
- (iii) is on normal commercial terms or better; and
- (iv) is fair and reasonable and in the interests of Spring REIT and its unitholders as a whole.

Both Mr. Toshihiro Toyoshima (a director of Mercuria Investment and a director of the Property Manager) and Mr. Hideya Ishino (a director of Mercuria Investment) have abstained from voting on the relevant board resolution to approve the renewal of the Property Management Agreement. Save for the foregoing, none of the other Directors of the Manager has a material interest in the Property Management Agreement which required them to abstain from voting on the relevant board resolution to approve the renewal of the Property Management Agreement.

## **Opinion of the Independent Valuer**

The Manager has also obtained an opinion from Knight Frank Petty Limited, being an independent valuer, that the fees payable under the renewed Property Management Agreement are fair and reasonable with reference to the prevailing market rates for similar services provided by professional property management and consultancy service providers for properties of similar size and with similar usage, and the renewed Property Management Agreement is on normal commercial terms.

## **Opinion of the Trustee**

Based and in sole reliance on the respective opinions of the Board and the independent valuer above and the information and assurances provided by the Manager, the trustee of Spring REIT, having taken into account its duties set out in the trust deed constituting Spring REIT (the “**Trust Deed**”) and the REIT Code:

- (i) has no objection to the renewal of the Property Management Agreement;
- (ii) is of the view that the renewed Property Management Agreement is consistent with Spring REIT’s investment policy and in compliance with the REIT Code and the Trust Deed;
- (iii) is of the view that the renewed Property Management Agreement is on normal commercial terms or better, fair and reasonable and in the interests of Spring REIT and its unitholders as a whole; and
- (iv) confirms that unitholders’ approval is not required under the REIT Code or the Trust Deed for the renewal of the Property Management Agreement.

These views are not to be taken as a recommendation or representation by the Trustee on the merits of the renewed Property Management Agreement.

## **D. OTHER REGULATORY REQUIREMENTS**

### **Review and Reporting**

The transactions under the renewed Property Management Agreement will continue to be subject to the following review and reporting processes:

- (a) *Annual review by the independent non-executive Directors of the Manager*

The independent non-executive Directors of the Manager shall review the transactions under the renewed Property Management Agreement annually and

confirm in Spring REIT's annual report for the relevant financial period that such transactions have been entered into:

- (i) in the ordinary and usual course of business of Spring REIT;
- (ii) on normal commercial terms or better; and
- (iii) in accordance with the renewed Property Management Agreement on terms that are fair and reasonable and in the interests of Spring REIT and its unitholders as a whole.

*(b) Annual review by the auditors of Spring REIT*

In respect of each relevant financial period, the Manager shall engage the auditors of Spring REIT to report on the transactions under the renewed Property Management Agreement annually. The auditors of Spring REIT must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that any transaction:

- (i) has not been approved by the Board;
- (ii) was not, in all material respects, in accordance with the pricing policies of Spring REIT;
- (iii) was not entered into, in all material respects, in accordance with the renewed Property Management Agreement; and
- (iv) has exceed the annual cap.

*(c) Notification to the Securities and Futures Commission*

The Manager shall promptly notify the Securities and Futures Commission and publish an announcement if the independent non-executive Directors of the Manager and/or the auditors of Spring REIT cannot confirm the matters set out in (a) and/or (b) above.

*(d) Annual reports*

A brief summary of the transactions under the renewed Property Management Agreement containing the information specified in rules 14A.71 and 14A.72 of the Listing Rules shall be included in Spring REIT's annual reports.

## **Changes to Annual Cap or Terms**

If the annual cap for the renewed Property Management Agreement is exceeded or Spring REIT proposes to further renew the Property Management Agreement or effect a material change to its terms, Spring REIT shall comply with the relevant requirements under the REIT Code and the Listing Rules.

## **E. GENERAL**

RCA01 is a wholly-owned special purpose vehicle of Spring REIT and its principal business activity is to hold the CCP Property. Spring REIT is a real estate investment trust, the units of which were first listed on The Stock Exchange of Hong Kong Limited on 5 December 2013. In addition to the CCP Property, Spring REIT's current portfolio includes: (i) a 68% interest in Huamao Place, being a seven-storey shopping mall located in Huizhou, the PRC; and (ii) a portfolio of 84 commercial properties in the United Kingdom, which is leased to Kwik-Fit (GB) Limited, a leading car servicing provider in the United Kingdom with over 600 centres nationwide.

The Property Manager, being Beijing Hua-re Real Estate Consultancy Co., Ltd., is a company incorporated under the laws of the PRC and its principal business activity is property management. The ultimate beneficial owners of the Property Manager are Mercuria Holdings, Ms. Liu Yan and Mr. Liao Zhongyuan. Mercuria Holdings is listed on the Tokyo Stock Exchange, and its principal business activity is business management of group companies and proprietary investment.

This announcement is made pursuant to paragraph 10.5A of the REIT Code.

By order of the Board  
**Spring Asset Management Limited**  
(as manager of Spring Real Estate Investment Trust)  
**Mr. Toshihiro Toyoshima**  
*Chairman of the Manager*

Hong Kong, 25 August 2023

*As at the date of this announcement, the directors of the Manager are Toshihiro Toyoshima (Chairman and non-executive director); Leung Kwok Hoe, Kevin (executive director and Chief Executive Officer) and Chung Wai Fai, Michael (executive director and Chief Financial Officer); Hideya Ishino (non-executive director); and Simon Murray, Qiu Liping and Lam Yiu Kin (independent non-executive directors).*